



DEPARTMENT OF THE TREASURY OFFICE OF PUBLIC AFFAIRS

**EMBARGOED UNTIL 9:00 A.M.
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Assistant Secretary for Financial Institutions Emil W. Henry Jr. February 2006 Quarterly Refunding Statement

We are offering \$48.0 billion of Treasury securities to refund approximately \$17.3 billion of privately held securities maturing on February 15 and to raise approximately \$30.7 billion. The securities are:

- A new 3-year note in the amount of \$21.0 billion, maturing February 15, 2009;
- A new 10-year note in the amount of \$13.0 billion, maturing February 15, 2016;
- A new 30-year bond in the amount of \$14.0 billion, maturing February 15, 2036.

These securities will be auctioned on a yield basis at 1:00 PM EST on Tuesday, February 7, Wednesday, February 8, and Thursday, February 9, respectively. All of these auctions will settle on Wednesday, February 15.

The balance of our financing requirements will be met with weekly bills, monthly 2-year and 5-year notes, the March 10-year note reopening, the April 10-year TIPS reopening, and the sale of 5-year TIPS in April. Treasury also is likely to issue cash management bills in early March and April. Additional cash management bills may be required to manage volatility associated with debt ceiling restrictions.

Debt Limit

Securities issued during the Quarterly Refunding will not be affected due to debt limit constraints. All securities auctioned during the Refunding will settle as normal on February 15, 2006.

While Treasury is working with Congress to promptly pass legislation to raise the debt ceiling, Treasury market participants should be prepared for possible delays in the auction schedule if Congress does not enact legislation to raise the debt limit.

Thirty-Year Coupon Cycle

Based on our initial consultations with market participants, Treasury will consider issuing 30-year bonds on the May-November coupon cycle to facilitate trading in the STRIPS market. We will continue to examine how our calendar can best accommodate both coupon cycles. We expect to announce any change in the issuance calendar for the 30-year bond on August 2, 2006. No calendar change would occur before calendar year 2007.

Cash Balance Management

With the shift of the 5-year note to month end, Treasury's usual pattern of issuing cash management bills at the beginning of the first and third months of a quarter may change. While we expect to issue cash management bills at the beginning of March and April, issuance in the future may not follow the same patterns. Treasury will continue to provide market participants with as much advance notice as possible when issuing cash management bills.

Debt Limit Consequences for the Sales of State and Local Government Securities

If the debt ceiling is not raised within the next two weeks, the Treasury Department will begin to take extraordinary measures to stay beneath the ceiling, including suspension of sales of State and Local Government series (SLGS) securities. The suspension of SLGS sales during debt ceiling impasses facilitates Treasury's management of debt levels.

If SLGS sales are suspended, the suspension would apply to demand deposit and time deposit securities. New subscriptions for SLGS would not be accepted until the suspension is lifted. Treasury will make an advance public announcement of the effective time and date of any suspension. During the suspension period, Treasury will not accept submissions of new subscriptions.

The Internal Revenue Service has issued guidance to affected entities in Rev. Proc. 95-47, 1995-47 I.R.B. 12 which is available in the "Tax Exempt Bond Tax Kit" which can be found by following the link labeled "TEB Tax Kit" at www.irs.gov/bonds.

Other Policy Matters Under Consideration

Treasury Securities Lending Facility

For several months, Treasury has been studying the idea of creating a securities lending facility. Treasury will continue to consult with market participants regarding a proposed standing, nondiscretionary securities lending facility, and welcomes more detailed market discussion on the structure of a lending facility.

Please send comments and suggestions on these subjects or others relating to Treasury debt management to debt.management@do.treas.gov.

The next quarterly refunding announcement will take place on Wednesday, May 3, 2006.

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